



STATEMENT REGARDING

Senate Bill 806: AAC the Definition of "Retailer" for Purposes of the Sales and Use Tax

Senate Bill 808: AA Increasing Fees and Fines

Senate Bill 815: AAC A Moratorium on Business Tax Credits

House Bill 6348: AAC Corporation Business Tax Credits

House Bill 6349: AAC the Sales Tax on Services

House Bill 6350: AA Eliminating Exemptions from the Sales and Use Tax and Lowering the Rate of Such Tax

Finance, Revenue and Bonding Committee

February 9, 2009

The MetroHartford Alliance is Hartford's Chamber of Commerce and the region's economic development leader. Our investors include businesses of all sizes, health care providers, institutions of higher education, and 34 municipalities. The Alliance's mission is to ensure that the Hartford Region competes aggressively and successfully for jobs, talent and capital so that it thrives as one of the country's premier places for all people to live, work, play, and raise a family.

At this time of intense global competition for jobs, capital and talent, it is important for us to begin to implement an aggressive strategy to attract *new* jobs and investment to our cities and our state, while also retaining the jobs we are fortunate to have. As an economic development organization and the capital city's chamber of commerce, we ask that you consider the *highly* anti-competitive implications of the tax proposals that are before you today.

For example, at a time when manufacturers of all sizes are struggling, House Bill 6350 would eliminate nearly all exemptions to the state's sales tax, including those for manufacturing machinery and equipment. The same companies will be detrimentally affected by limitation or elimination of tax credits, particularly research and development credits. We strongly oppose any reduction or elimination to the R&D credit. In particular, this credit is vital to an innovative economy. We are currently faced with significant job losses in industries that we have long depended on for economic stability. It is imperative that we respond creatively, investing in innovative research to attract new investment and develop career alternatives.

The added hit of then extending the sales tax (House Bill 6349) to virtually all professional and business services combined with a two-year moratorium on the use of all corporate tax credits (Senate Bill 815) or restrictions on the use of corporate tax credits (House Bill 6348) would send a strong message to our domiciled employers

and those considering investment in our state that Connecticut is not open for business. This is not the message we should be sending.

Meanwhile, the *Wall Street Journal* reported last week that other states are taking the opposite approach and very publicly encouraging business development and relocation. Proposals include tax breaks, such as job creation tax credits in Colorado and tax cuts to businesses in Minnesota, and financial incentives such as funds for job training or credit lines for small businesses. Other states are currently considering instituting loan funds for entrepreneurs and phasing out corporate income tax entirely.

At a time when other states are endorsing this type of forward-thinking approach and even our federal government is taking steps to stimulate the economy and create jobs, we need to consider this an opportunity to reverse our dismal ranking as one of the most expensive states in the nation to do business. Any steps we can take to become more competitive are even more critical at this time of economic uncertainty. The tax bills before you today run directly counter to economic development and risk deterring investment in our state – investment that will be vital to our economic recovery. This is not a risk we can afford to take.

We ask you to work with us to help Connecticut stand out as a premier place to do business and create jobs by rejecting SB 806, SB 808, SB 815, HB 6348, HB 6349, and HB 6350.